BRITISH COLUMBIA

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tel (250) 387-0327
fax (250) 387-0329

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highlights

a weekly digest of recently released British Columbia statistics

Labour Force

- **Employment in British Columbia grew marginally in August (up 3,000 seasonally-adjusted) while the number of unemployed declined by 2,000.** The unemployment rate stood at 8.5%, virtually unchanged over the last 3 months. Newfoundland led the country in employment growth (2.8% over August 1996), followed by Alberta and Manitoba (both 0.8%). Unemployment rates remained at double digit levels from Quebec east, while rates were lowest in the prairies. Alberta's unemployment rate was 5.9% compared with BC at 8.5% and Ontario at 8.2%.

  Declines in monthly employment (unadjusted) were experienced in the primary sectors and construction (-9,000), while manufacturing registered a small increase of 3,000. Service sector employment grew by 11,000 jobs with increases in all areas but public administration. Part-time employment in BC remained at approximately 20% of total employment.

  Students returning to school had somewhat better employment opportunities this year than last year. Seven thousand more students had jobs in August 1997, than in August 1996, although fewer of these jobs were full-time. The student unemployment rate was 15.8% in August. *Source: Statistics Canada*

Tourism

- **Room revenues in the province rose 2.5% (seasonally adjusted) in April, after falling 3.7% in the previous month.** The improvement in the province's accommodation sector came as revenues in the Lower Mainland/Southwest region bounced back (+9.6%) from a 7.8% decline in March. Room revenues were also up in North Coast (+5.7%) and Kootenay (+4.1%), but declined in Thompson-Okanagan (-3.3%), Nechako (-2.5%), Cariboo (-1.5%), Vancouver Island/Coast (-1.3%) and Northeast (-0.4%). In Vancouver Island/Coast, revenues were down for the third consecutive month, and have fallen 3.0% year-to-date.

  After declining 8.7% in March, revenues in large hotels (250 or more rooms) rose 9.2% in April. Vacation rentals (resorts, beach houses, lodges, cabins and selected trailer parks) were the only other accommodation category to record significant gains (+18.8%). Revenues in mid-size hotels (76-149 rooms) rose only marginally (0.6%). At fishing lodges, revenues dropped sharply (-38.7%). Other accommodation types recorded marginal declines ranging from 1.7% for miscellaneous properties to 0.3% for small hotels. *Source: BC STATS*

The Economy

- **The value of building permits issued by BC municipalities declined 5.3% (seasonally adjusted) between June and July.** Both the residential (-3.6%) and non-residential (-8.3%) sectors were down from the previous month. In the non-residential sector, commercial permits decreased about 20%, while institutional permits were down almost 50%. However, the value of industrial building permits issued was three times higher than in June.

  Nationally, building permits inched up (+0.2%) in July, boosted by a strong residential sector (+7.2%). Non-residential permits were down 8.9% between June and July. New Brunswick (+18.1%), Ontario (+10.6%), Nova Scotia (+3.0%) were the only provinces where the value of building permits rose. Permits were down sharply in Newfoundland (-32.1%), PEI (-31.3%) and the territories (-67.4% in NWT and -17.0% in Yukon), but decreased more moderately in the rest of the country. BC's 5.3% decline was among the lowest in Canada.
  Source: Statistics Canada

- **Wages and salaries in British Columbia rose 0.5% (seasonally adjusted) in June**. The in-

Report **Exports climb as Japanese trade barriers fall**

Did you know...?
The world's population increases by a billion people every 12 years.

crease was well above the national average (+0.1%), but wages and salaries in the province had grown at below-average rates in the previous month (+0.2%, compared to +0.6% nationally). Second quarter wage growth in the province was 1.2%, the same rate as for all of Canada.

Among provinces, Newfoundland (+0.9%) saw the strongest increase in wages between May and June. Nova Scotia (+0.6%), Alberta (+0.6%) and British Columbia (+0.5%) also recorded gains well in excess of the national average. Wages were flat in Quebec and fell 0.2% in Ontario.

Source: Statistics Canada

- **British Columbia's help-wanted index rose for the fifth consecutive month in August, to stand at 118 (1991=100).** The index is now only slightly lower than the national average (124). The number of help-wanted ads in newspapers was up in all parts of the country except Prince Edward Island, where the index dropped from 132 in July to 129 last month. The help-wanted index was revised in July to use new population weights based on the 1996 Census, and as a result, the level of the index for BC is now considerably higher than was previously reported in **highlights**. *Source: Statistics Canada*

Income Assistance

- **There were 260,599 recipients of basic income assistance in BC in July.** This was 15% less than in the same month last year. The largest decline (-17%) was in the number of young adults (aged 19–24) receiving income assistance under the Youth Works program. The number of Welfare to Work recipients decreased 15% from the previous July, and 9% fewer youth under the age of 19 received income assistance.

  The average benefit for a two-parent family receiving income assistance or other BC Benefits was $935 in July. Single-parent families received an average $836 per month, compared to $813 for couples. Average benefit rates were $518 for single men and $539 for single women.

  The number of new BC Benefits recipients coming from outside the province was 48% higher in July than in the same month last year. There were 1,476 new starts from out of province, with most cases coming from Ontario (377), Alberta (341) or other countries (319). Despite the increase, the number of new starts from out of province remains well below the levels reached in 1995, when new starts averaged in the 2,000 to 3,000 range.

  Source: Ministry of Human Resources Administrative Data

Tobacco Use

- **Almost half (46%) of British Columbians aged 15 and over have never smoked.** Another 29% are former smokers, while 23% are current smokers (2% did not state whether or not they smoked). Twenty percent of British Columbian adults surveyed last year said they smoked on a daily basis. The majority (11%) smoked an average of between 11 and 25 cigarettes each day. Eight percent smoked between 1 and 10 cigarettes, and 2% said they smoked more than 25 cigarettes daily.

  Source: SC, 1996 General Social Survey

Fiscal Update

- **During the first three months of the fiscal year, the province's revenues increased 2.5% (year-over-year) to $4.8 billion.** Expenditures were down marginally (-0.2%, to $5.1 billion), resulting in a first-quarter deficit of $333 million. One factor contributing to the revenue growth was higher tax revenue (+2.4%), especially from social service taxes, which were up 8.2% as a result of increased consumer spending. Natural resource revenues also rose sharply (+15.8%). The province's total net debt stood at $29.7 billion at the end of June. Taxpayer-supported debt accounted for $21.9 billion, with the remainder of the debt being self-supporting (e.g., the guaranteed debt of crown corporations and agencies, and debt incurred under the warehouse borrowing program).

  Source: Quarterly Report, Ministry of Finance & Corporate Relations

- **The federal government's debt stood at $471 billion dollars at the end of June, up 0.3% from June 1996, when it was $470 billion.** Federal revenues were up sharply (+10.9%, to $33.6 billion) in the first quarter of the fiscal year, while program expenditures continued to decline (-3.8%, to $23.2 billion). Public debt charges fell 4.9% to $10.9 billion. The federal government's deficit was $533 million dollars. This compares to a $5.3 billion deficit last year. The improvement in the federal government's fiscal situation was mainly due to the revenue growth, although declining expenditures and debt costs were also important contributing factors. *Source: Fiscal Monitor, Federal Department of Finance*

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For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the publication name or catalogue number.

Infoline Report:

September 5, 1997

Canadian Building Product Exports Climb As Japanese Regulatory Barriers Fall

Originally published in the May '97 issue of *Exports*, available by annual subscription for $60 plus GST

Exporting building products to Japan has always been a difficult and complicated business, but it is becoming less so.

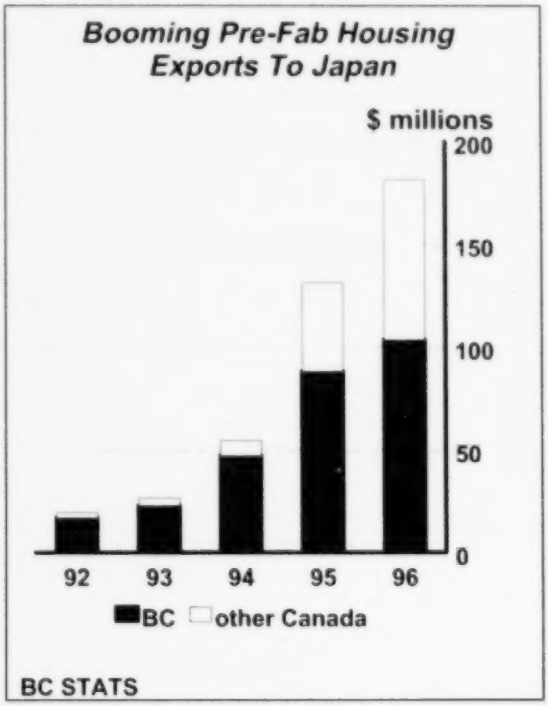
In the past only lumber graded to Japanese standards was accepted for housing construction in Japan. Prefabricated buildings assembled in Canada would have to include nails imported from Japan because Canadian nails were not accepted by Japanese inspectors. Once shipped to Japan there would be further difficulties because visas could not be obtained for qualified Canadian carpenters needed to put them together at the building site.

These and other problems plagued Canadian producers of building products for decades as they strove to gain a foothold in the enormous Japanese market for finished or semi-finished building products. But much has changed in the past three years as Japanese and Canadian officials have been working together to deal with these problems.

Already there has been an effect on Canadian exports to Japan. Canadian shipments of lumber to Japan rose 154 per cent from $1.0 billion in 1990, to $2.6 billion in 1996. Over the same period, exports of plywood shot up a spectacular 882 per cent, from $17 million to $167 million.

Perhaps the single most promising development has been the sharp rise in exports of prefabricated homes to Japan. These increased 363 per cent between 1990 and 1996. Most of this increase took place between 1994 and 1996. Shipments rose from $55 million in 1994, to $132 million in 1995, and then to $ 182 million in 1996.

Most Canadian building product exports to Japan were from British Columbia. The province accounted for 95 per cent of lumber exports to Japan in 1996 and 92 per cent of plywood exports. Its manufacturers of prefabricated housing also dominate exports to Japan, although by a diminishing margin. They produced 86 per cent of Canadian exports of these products to Japan in 1994, 67 per cent in 1995, and 57 per cent in 1996.



Behind the new Japanese willingness to smooth out regulatory obstructions to imports of building products is a pressing political need in Japan to improve the affordability of housing. Japan has committed to reducing housing costs by one third by the year 2002. Other incentives are a need to reduce embarrassingly large trade surpluses, and a popular craving for North American style comfort in residential housing.

At the same time it has been opening to imported building products, the Japanese residential construction industry has been expanding at an impressive rate. Housing starts grew particularly sharply in 1996 with low interest rates for home purchases (between 2.9 per cent and 3.1 per cent), declining land

BC STATS, Min. of Finance & Corporate Relations, Box 9410 Stn Prov Govt, Victoria, B.C. V8W 9V1
Tel: (250) 387-0327 Fax: (250) 387-0329 Web: http://www.bcstats.gov.bc.ca E-mail: BCSTATS@fincc04.fin.gov.bc.ca

prices, and a rush to stay ahead of an increase in consumption tax from 3 per cent to 5 per cent.

The effect of the Japanese housing boom on demand for imported construction products has been amplified by a trend toward use of North American style 2 by 4 construction. The Japanese Urban Housing Institute estimates a 9.8 per cent rise in overall housing starts in fiscal 1996 (April 1996 to March 1997). The rise in housing starts using 2 by 4 built structures was a remarkable 30 per cent.

Introducing Canadian Building Technology to Japan

Although Japanese houses have historically been built of wood, they have not been built in the same way as Canadian houses. Traditional Japanese houses use post and beam techniques, whereas Canadian wood buildings use 2 by 4 construction (also referred to as platform-frame). The two methods call for different dimensions of lumber and different building products.

It was only in the mid 1970s that 2 by 4 construction was first introduced to Japan in the form of houses built to be used as staff quarters for the Canadian embassy in Tokyo. The houses were a three townhouse complex built by the Council of Forest Industries (a Canadian industry association) intended to also serve as promotional models for Canadian 2 by 4 construction techniques.

Their efforts were successful. While Japanese houses are still mostly built using post and beam techniques, 2 by 4 construction has been gaining ground steadily. The Council of Forest Industries (COFI) reports almost 100 thousand 2 by 4 housing units built during 1996 in Japan, up 27 per cent from 1995. Post and beam construction was used for 619 thousand units.

The more widespread application of 2 by 4 building technology has produced considerable benefits for Canadian lumber producers. COFI reports that Canadian lumber was used for 80% of all housing units built with 2 by 4 construction in 1996.

Canadian producers have also benefited more than any others, from the greater acceptance of prefabricated wooden homes in Japan. Imported housing units, more or less prefabricated, account for a small but rapidly expanding portion of the Japanese residential construction market. The Japanese External Trade Organisation (JETRO) reports 5,520 assembled in fiscal year 1995, up 183 per cent from 1994. An estimated 11,500 were built in fiscal 1996, with 2 by 4 construction accounting for 67 per cent. Canada produced 45 per cent of all housing units imported into Japan in 1996, well ahead of the 29 per cent share claimed by the United States, the next largest exporter.

Canada's Department of Foreign Affairs and International Trade anticipates a continued healthy Japanese market for imported housing. In their Action Plan for Japan they comment that 'Japan is importing increasing volumes of finished building products, primarily because of their cost advantages but also to satisfy consumer demand for modern Western-style housing and related components and fixtures.'

They observe that the good performance of 2 by 4 housing during the (January 1995) Kobe earthquake 'has been assisting Canada's efforts to promote prefabricated 2 by 4 housing throughout Japan, as well as helping ensure a continuing strong market demand for Canadian dimensional lumber, plywood, and oriented strand board, both for new construction and for renovation and rehabilitation of existing housing.'

The Department of Foreign Affairs and International Trade also see Japanese labour market developments as contributing to the need

for imported housing. In the Action Plan For Japan, they note that 'with the number of construction workers projected to decline by 45 per cent by the year 2000, the Japanese construction industry is being forced to introduce additional finished and/or prefabricated components.'

Smoothing Out Obstacles to Trade

Early this year the Japanese Ministry of Construction announced that it would recognise an additional ten Canadian lumber grading organisations. The decision raised to fifteen the number of Canadian organisations that can approve North American Lumber Grading Agency (NALGA) structural lumber for use in the construction of 2 by 4 houses in Japan. This was the latest in a string of trade enhancing moves that should help to sustain a Canadian boom in building product exports that has been developing during the 1990s.

In 1994, Canada and Japan signed an agreement aimed at reducing housing costs in Japan by removing at least some of the regulatory barriers facing Canadian exporters of building products and manufactured housing systems. The agreement promoted 'the acceptance of Canadian test data, evaluations and certifications as equivalent to those maintained by the Japanese government and standards regulating bodies.' Its objective was 'to eliminate duplication of certification procedures between the two countries in order to increase the availability of quality products and to promote efficient construction methods for consumers and builders.'

In March of last year another important initiative was launched in the form of Japan's Emergency Priority Program for Reducing Housing Construction Cost. Its intent is described by the Japanese External Trade Organisation as 'to give the Japanese public access to inexpensive, good quality housing by allowing overseas housing constructors to compete more easily in the Japanese housing market.'

Shortly following the announcement of the Emergency Priority Program Prime Minister Jean Chretien presented Prime Minister Hashimoto with a list of ten recommendations to assist in achieving its objectives. Since then, 'Canada has achieved significant progress in most of the ten areas', according to the Department of Foreign Affairs and International Trade. The Department claims that regulatory reform in the Japanese market has established Canada as the largest overseas supplier to Japan both for prefabricated homes and plywood in 1996.

Among the successes of recent negotiations has been the removal of a requirement obliging Canadian producers of prefabricated 2 by 4 panel systems to import Japanese approved nails for assembling products to be exported to Japan. This issue was resolved in June this year when Canadian nails were approved for all areas of construction.

Another success has come with improvement in the process of obtaining visas for Canadian 2 by 4 carpenters needed to direct or assist in assembling buildings in Japan. The matter was raised by Canadian embassy officials in Tokyo, and Japanese immigration offices have since begun to process visas more quickly.

An important Canadian negotiating objective was reached with the decision of the Japanese Ministry of Construction to introduce legislation in the Diet early next year to enable three storey apartment buildings to be built in certain neighbourhoods where the threat of fire is not an extreme concern. This commitment was won after a ten year campaign waged by Canadian federal officials.

Two other negotiating successes that promise to open trade on a broad front are the recognition of the Underwriters Laboratories of Canada as an official Foreign Testing Organisation, and the signing of the Liaison Agreement

granting recognition to the Canadian Construction Materials Centre as an official Foreign Evaluation Body in Japan. This latter agreement, reached after three years of lobbying, means that it is now open for Canada to seek access to the Japanese market on a product by product basis. The Department of Foreign Affairs and International Trade describes it as 'the most comprehensive Liaison Agreement that the Building Centre of Japan has yet entered with any foreign evaluation centre.'

Building Product Industry Shaped By Export Demand

Companies in the building products industry include a variety of businesses producing a wide range of products. Increasingly, the products manufactured, and the manner in which companies operate are being adapted to meet the demands of the Japanese and other export markets.

Products range from nails or lumber, to windows, doors, cabinets and complete modular homes.

The prefabricated segment of the industry ships its products in a number of different forms. The most fully assembled of these are 'sectional' products, in which a house in modular form, or a half or a third of a house, is assembled for shipping to its final destination. These can be up to 12 wide and 40 feet long and are typically shipped complete with electrical systems, plumbing, cabinets and other fittings – everything except the furniture. Once on site, the sections are connected together on a foundation and utilities are hooked up.

Another form in which prefabricated structures can be shipped is as panels. Walls and floors are assembled or partially assembled in a factory and packed with additional components for completing roofs and other parts of the structure.

A third style of prefabricated construction is sometimes referred to as pre-cut packaged homes. These are shipped as packaged kits of 2 by 4 (or 2 by 6) lumber, plywood and other components.

A fourth form of prefabricated house includes the pre-cut and notched logs for 'hand-crafted' log cabins, or machine profiled, tongued and grooved pieces used in less rustic looking log homes.

Prefabricated homes are not as prominent in the industry's export trade as they once were. 'The distribution of building products to Japan has changed substantially over recent years,' says Richard Poliquin, formerly Vice President of British Columbia Trade Development Corporation and now President of Trade Works International. 'Exports once dominated by prefabricated housing, including 2 by 4 structures and log homes, are now being surpassed by shipments of individual finished building products. Current estimates are that individual product shipments will account for approximately 60% of sales to Japan in 1997.'

Industry Canada specialist Murray Hardie says some manufacturing operations specialise in producing a few structural lumber components in very large volumes. An example cited is a Japanese owned company that recently filled export orders to Japan for thousands of units of a particular piece used between studs in 2 by 4 walls. Another large Japanese order filled by the same company was for corner sections used in 2 by 6 walls.

The slowdown in Canadian housing construction in recent years has given the manufactured housing industry more reason than ever to focus on exports. Mr. Hardie describes the burgeoning Japanese market for imported housing as 'a god-send' for Canadian prefabricated housing manufacturers faced with a weak domestic market and stiff competition from site-built homes. He estimates that exports (to all countries) could account for 'up to half' of all Canadian production of panellised,

pre-cut packaged, and log homes. For modular (sectional and mobile) homes, he estimates that the exported proportion is considerably less.

Canadian manufacturers of prefabricated homes would like to concentrate more value added products in their exports. Cliff Youdale, Executive Director of the Canadian Manufactured Homes Institute describes this as one of his organisation's principal objectives, particularly in Japan which is far and away their largest foreign market. He observes that there have been problems in the Japanese market because many buyers prefer to purchase components separately in bulk, and do much of the manufacturing work in Japan.

The solution may lie with quality control and marketing. Mr. Youdale notes that 'Assembly work in Japan has not always been good, and this has sometimes left Japanese buyers with a poor impression of our products.'
The need to concentrate on high quality value added products with significant engineering and design content is a familiar imperative for manufacturers in developed high wage countries. Standard interchangeable components can often be sourced in many markets, leaving producers vulnerable to undercutting by competitors in low wage regions.

Marketing has long been a priority for Canadian manufacturers of finished building products as they have worked to expand their sales in Japan. One important initiative has been the Canada Comfort Direct initiative. This was originally conceived in 1992 by the former British Columbia Trade Development Corporation and launched as a co-operative venture with several Canadian companies. It now operates with industry funding, and support from the British Columbia government. Its main promotional vehicle is a 6 by 27 metre travelling exhibit which showcases quality Canadian building products and is exhibited at all major trade shows in Japan.

Recent feature articles in *Exports*, listed by release date

July 1997	*With Hong Kong, China Becomes Third Largest Export Destination For Western Provinces*
June 1997	*Europe Imports Less From British Columbia, Finds Resources Closer to Home*
May 1997	*Imports Catch Up to Exports, As Trade Surges in 1990's*
April 1997	*B.C. Wood Product Exports Lose U.S. Market Share to Other Provinces*
February 1997	*Shipping and Professional Services Bring In Overseas Revenues*
January 1997	*B.C. Products Find Better Markets Abroad Than In Canada*
December 1996	*B.C. Has Biggest Export Stake In Team Canada Mission*
December 1996	*Canada-U.S. Exchange of Magazines A Very One Sided Affair*
November 1996	*Beyond Natural Resources – The New Exports*
September 1996	*Soaring Trade Deficits With Mexico More A Problem For Ontario Than British Columbia*
August 1996	*Cross Border Trade in Processed Food Products*
July 1996	*British Columbia Still A Natural Resource Economy*
June 1996	*Air Freight Use Growing With High Value Exports*
May 1996	*Competing for Share in the U.S. Market*
April 1996	*Canadian Merchandise Trade Balances*

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BC at a glance . . .

POPULATION (thousands)	Apr 1/97	% change on year ago
BC	3,915.9	2.2
Canada	30,202.9	1.1
GROSS DOMESTIC PRODUCT		% change
(BC - at market prices - $ millions)	1996	on year ago
Current Dollars	103,631	1.7
Constant (1986) Dollars	74,001	1.0
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Jun	2,811	4.5
Merchandise Exports (raw) Jun	2,172	6.1
Retail Sales (seasonally adjusted) Jun	2,643	1.3
CONSUMER PRICE INDEX		% change
(all items - 1986=100)	Jul '97	on year ago
BC	139.7	0.9
Canada	138.0	1.8
LABOUR FORCE (thousands)		% change
(seasonally adjusted)	Aug '97	on year ago
Labour Force - BC	2,029	2.1
Employed - BC	1,856	2.8
Unemployed - BC	172	-5.0
		Aug '96
Unemployment Rate - BC *(percent)*	8.5	9.1
Unemployment Rate - Canada *(percent)*	9.0	9.5
INTEREST RATES (percent)	Sep 3/97	Sep 4/96
Prime Business Rate	4.75	5.75
Conventional Mortgages - 1 year	5.65	6.13
- 5 year	7.00	7.95
US/CANADA EXCHANGE RATE	Sep 3/97	Sep 4/96
(avg. noon spot rate) Cdn $	1.3831	1.3699
US $ *(reciprocal of above rate)*	0.7230	0.7300
AVERAGE WEEKLY EARNINGS		% change
(industrial aggregate - dollars)	Jun '97	on year ago
BC	620.87	0.2
Canada	603.05	1.8

SOURCES:
Gross Domestic Product: Statistics Canada, revised by BC STATS
Population, Trade, Prices, Labour Force, Earnings: Statistics Canada
Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

Released this week by BC STATS

- Tourism Industry Monitor, Annual 1996
- Tourism Room Revenue, April 1997

Next week

- Labour Force Statistics, August 1997
- Small Business Quarterly, 2nd Quarter 1997

BC STATS, Min. of Finance & Corporate Relations, Box 9410 Stn Prov Govt, Victoria, B.C. V8W 9V1
Tel: (250) 387-0327 Fax: (250) 387-0329 Web: http://www.bcstats.gov.bc.ca E-mail: BCSTATS@fincc04.fin.gov.bc.ca